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SUMMARY

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FACTORS IN SETTING UP AN IRON AND STEEL INDUSTRY IN LESS DEVELOPED AREAS

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FACTORS IN SETTING UP AN IRON AND STEEL INDUSTRY IN LESS DEVELOPED AREAS
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SUMMARY

The major factors involved in setting up an iron and steel industry in underdeveloped areas may be listed as follows:-

Technical know-how. This involves the technicians necessary for the discovery and utilization of natural resources. Associated with the technicians are the semi- skilled and unskilled workmen. Unlike the technicians the later classes of workmen can usually be found in abundance in the underdeveloped area. However, the lack of technicians should not create too much of a problem since contractual personnel can be had as well as on the job training of local personnel can be effected.

The second major concern is the raw material necessary to lunch such an industry. Raw materials such as iron, limestone, manganese, coke, gas and/or electrical energy. Those underdeveloped countries possessing most of these materials are in a better position to proceed with less difficulties. However, countries with at least two of the basic raw material may not necessarily be handicapped in setting up an iron and steel industry, because other economic and political factors might be favourable.

The method of production also is a decisive factor. This is influenced mainly by the availability of raw materials; therefore, the desire for new techniques that will eliminate the demand for large quantities of raw materials, not readily available, must be sought. Because of new techniques such as pelletization of low grade iron ore, birquetting, improved electrical furnaces, better recovery and upgrading of ore from washing plants, the feasibility of establishing an iron and steel industry becomes more attractive and desirable. After cost studies have been made for initial setting up of an iron and steel plant, the cheaper should not dictate a particular method and serve as the sole criteria, but rather a broader view that will incorporate national development should prevail,i.e. Where an abundant supply of water exists there should be prior consideration for erection of a hydro plant for electrical energy to be used in the electric furnace for the production of pig iron as against a blast furnace. This plant would not only furnish the power for production of pig iron by use of the electric furnaces, but the additional power, which is usually in short supply in underdeveloped area, can be used for domestic purposes as well as in secondary and non-related industries.

Other factors that should be considered are the socio-economic and political factor. As the economy of a nation grows and becomes more complex, a wider choice of alternatives has to be considered. In principle, industrialization aims at finding the right combination of investment, technological and institutional changes and other measures which will produce the greatest economic results to the economic complex. Hence one of first consideration involves the availability of capital and foreign exchange which are indeed scarce in most underdeveloped countries. Because of this, most underdeveloped countries have had to make the alternative decision between inviting foreign investment through granting of concessions right, or permitting their resources to remain domant.

Where foreign investors are invited to participate a favourable political climate becomes a prerequisite, namely: stable government, favourable tax treatment, consistent economic policy, full enterprise system and the existence of a promising political complexion which minimizes the risk of possible nationalization; especially so, when the establishment of types of industry calls for sizable capital outlays.

Finall, duplication of types of industry must be avoided in favour of staggering them, giving priority to conntries possessing the best economic and political justification. To achieve this, close collaboration among the underdeveloped countries should be undertaken with a national resources inventory a necessity. Also a comprehensive economic survey of markets must be undertaken.

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